

# House File 869 - Enrolled

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HOUSE FILE 869

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1 3 AN ACT  
1 4 RELATING TO FINANCIAL TRANSACTIONS ASSOCIATED WITH  
1 5 AGRICULTURAL PRODUCTION, BY PROVIDING FOR TAXES, INCLUDING  
1 6 TAX CREDITS AND TAX EXEMPTIONS, AND INCLUDING EFFECTIVE AND  
1 7 RETROACTIVE AND OTHER APPLICABILITY DATES.  
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1 9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
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1 11 Section 1. Section 175.2, Code 2005, is amended by adding  
1 12 the following new subsection:  
1 13 NEW SUBSECTION. 0A. "Agricultural assets" means  
1 14 agricultural land, depreciable agricultural property, crops,  
1 15 or livestock.  
1 16 Sec. 2. NEW SECTION. 175.37 AGRICULTURAL ASSETS TRANSFER  
1 17 TAX CREDIT.  
1 18 1. An agricultural assets transfer tax credit is allowed  
1 19 under this section. The tax credit is allowed against the  
1 20 taxes imposed in chapter 422, division II, as provided in  
1 21 section 422.11I, and in chapter 422, division III, as provided  
1 22 in section 422.33, to facilitate the transfer of agricultural  
1 23 assets from a taxpayer to a beginning farmer.  
1 24 2. In order to qualify for the tax credit, the taxpayer  
1 25 must meet qualifications established by rules adopted by the  
1 26 authority. At a minimum, the taxpayer must be a person who  
1 27 may acquire or otherwise obtain or lease agricultural land in  
1 28 this state pursuant to chapter 9H or 9I. However, the  
1 29 taxpayer must not be a person who may acquire or otherwise  
1 30 obtain or lease agricultural land exclusively because of an  
1 31 exception provided in one of those chapters or in a provision  
1 32 of another chapter of this Code including but not limited to  
1 33 chapter 10 or 10C, or sections 15.331B or 15E.207.  
1 34 3. An individual may claim a tax credit under this section  
1 35 of a partnership, limited liability company, S corporation,  
2 1 estate, or trust electing to have income taxed directly to the  
2 2 individual. The amount claimed by the individual shall be  
2 3 based upon the pro rata share of the individual's earnings  
2 4 from the partnership, limited liability company, S  
2 5 corporation, estate, or trust.  
2 6 4. The tax credit is allowed only for agricultural assets  
2 7 that are subject to a lease or rental agreement. The  
2 8 agreement may be made on a cash basis or on a commodity share  
2 9 basis which includes a share of the crops or livestock  
2 10 produced on the agricultural land. The agreement must be in  
2 11 writing. The lease must be for a term of at least two years.  
2 12 The lease may be renewed for a term of at least two years.  
2 13 The taxpayer may claim the tax credit under the renewal lease  
2 14 in the same manner as the original lease. A lease does not  
2 15 include a lease intended as a security.  
2 16 5. The tax credit shall be calculated based on the gross  
2 17 amount paid to the taxpayer under the lease or rental  
2 18 agreement.  
2 19 a. Except as provided in paragraph "b", the tax credit  
2 20 shall equal five percent of the amount paid to the taxpayer  
2 21 under the agreement.  
2 22 b. The tax credit shall equal fifteen percent of the  
2 23 amount paid to the taxpayer from crops or animals sold under  
2 24 an agreement in which the payment is exclusively made from the  
2 25 sale of crops or animals.  
2 26 6. a. In order to qualify as a beginning farmer, a person  
2 27 must be eligible to receive financial assistance under section  
2 28 175.12. The taxpayer may claim the tax credit on the gross  
2 29 amount paid to the taxpayer as provided in this section until  
2 30 the beginning farmer is no longer eligible to receive  
2 31 financial assistance under section 175.12.  
2 32 b. A tax credit in excess of the taxpayer's liability for  
2 33 the tax year may be credited to the tax liability for the  
2 34 following five years or until depleted, whichever is earlier.  
2 35 A tax credit shall not be carried back to a tax year prior to  
3 1 the tax year in which the taxpayer redeems the tax credit. A  
3 2 tax credit shall not be transferable to any other person other  
3 3 than the taxpayer's estate or trust upon the taxpayer's death.  
3 4 7. A taxpayer shall not claim a tax credit under this  
3 5 section unless a tax credit certificate issued by the

3 6 authority is attached to the taxpayer's tax return for the tax  
3 7 year for which the tax credit is claimed. The authority must  
3 8 review and approve an application for a tax credit as provided  
3 9 by rules adopted by the authority. The application must  
3 10 include a copy of the lease or rental agreement. The  
3 11 authority may approve an application and issue a tax credit  
3 12 certificate to a taxpayer who has previously been allowed a  
3 13 tax credit under this section. However, the authority shall  
3 14 not approve an application or issue a certificate to a  
3 15 taxpayer if any of the following applies:

3 16 a. The taxpayer is at fault for terminating a prior lease  
3 17 or rental agreement subject to this section as determined by  
3 18 the authority.

3 19 b. The taxpayer is any of the following:

3 20 (1) A party to a pending administrative or judicial  
3 21 action, including a contested case proceeding under chapter  
3 22 17A, relating to an alleged violation involving an animal  
3 23 feeding operation as regulated by the department of natural  
3 24 resources, regardless of whether the pending action is brought  
3 25 by the department or the attorney general.

3 26 (2) Classified as a habitual violator for a violation of  
3 27 state law involving an animal feeding operation as regulated  
3 28 by the department of natural resources.

3 29 c. The beginning farmer is responsible for managing or  
3 30 maintaining agricultural land and other agricultural assets  
3 31 that are greater than necessary in order to adequately support  
3 32 a beginning farmer as determined by the authority according to  
3 33 rules which shall be adopted by the authority.

3 34 d. The agricultural assets are being leased or rented at a  
3 35 rate which is substantially higher or lower than the market  
4 1 rate for similar agricultural assets leased or rented within  
4 2 the same community, as determined by the authority.

4 3 8. The authority shall review each existing lease or  
4 4 rental agreement which is part of an application approved by  
4 5 the authority on a quarterly basis. The authority may require  
4 6 that the taxpayer and the beginning farmer provide additional  
4 7 information as determined relevant by the authority.

4 8 9. A taxpayer or the beginning farmer may terminate a  
4 9 lease or rental agreement as provided in the agreement or by  
4 10 law. The taxpayer must immediately notify the authority of  
4 11 the termination.

4 12 a. If the authority determines that the taxpayer is not at  
4 13 fault for the termination, the authority shall not issue a tax  
4 14 certificate to the taxpayer for a subsequent tax year based on  
4 15 the approved application. Any prior tax credit is allowed as  
4 16 provided in this section. The taxpayer may apply for and be  
4 17 issued another tax credit certificate for the same  
4 18 agricultural assets as provided in this section for any  
4 19 remaining tax years for which a certificate was not issued.

4 20 b. If the authority determines that the taxpayer is at  
4 21 fault for the termination, any prior tax credit allowed under  
4 22 this section is disallowed. The tax credit shall be  
4 23 recaptured and the amount of the tax credit shall be  
4 24 immediately due and payable to the department of revenue. If  
4 25 a taxpayer does not immediately notify the authority of the  
4 26 termination, the taxpayer shall be conclusively deemed at  
4 27 fault for the termination.

4 28 Sec. 3. NEW SECTION. 422.11I AGRICULTURAL ASSETS  
4 29 TRANSFERRED TO BEGINNING FARMERS.

4 30 The taxes imposed under this division, less the credits  
4 31 allowed under sections 422.12 and 422.12B, shall be reduced by  
4 32 an agricultural assets transfer tax credit as allowed under  
4 33 section 175.37.

4 34 Sec. 4. Section 422.33, Code 2005, is amended by adding  
4 35 the following new subsection:

5 1 NEW SUBSECTION. 17. The taxes imposed under this division  
5 2 shall be reduced by an agricultural assets transfer tax credit  
5 3 as allowed under section 175.37.

5 4 Sec. 5. Section 423.3, subsection 11, unnumbered paragraph  
5 5 1, Code 2005, is amended to read as follows:

5 6 The sales price exclusive of services of farm machinery and  
5 7 equipment, including auxiliary attachments which improve the  
5 8 performance, safety, operation, or efficiency of the machinery  
5 9 and equipment, and including auger systems, curtains and  
5 10 curtain systems, drip systems, fan and fan systems, shutters,  
5 11 inlets and shutter or inlet systems, and refrigerators, and

5 12 replacement parts, if all of the following conditions are met:

5 13 Sec. 6. REFUNDS. Refunds of taxes, interest, or penalties  
5 14 which arise from claims resulting from the amendment of  
5 15 section 423.3, subsection 11, in this Act, for the exemption  
5 16 of sales of auger systems, curtains and curtain systems, drip

5 17 systems, fan and fan systems, shutters, inlets and shutter or  
5 18 inlet systems, and refrigerators occurring between January 1,  
5 19 1992, and the effective date of this Act, shall be limited to  
5 20 twenty-five thousand dollars in the aggregate and shall not be  
5 21 allowed unless refund claims are filed prior to October 1,  
5 22 2005, notwithstanding any other provision of law. If the  
5 23 amount of claims totals more than twenty-five thousand dollars  
5 24 in the aggregate, the department of revenue shall prorate the  
5 25 twenty-five thousand dollars among all claimants in relation  
5 26 to the amounts of the claimants' valid claims. Claimants  
5 27 shall not be entitled to interest on any refunds.

5 28 Sec. 7. EFFECTIVE DATES AND RETROACTIVE APPLICABILITY  
5 29 PROVISIONS.

5 30 1. Except as provided in subsection 2, this Act takes  
5 31 effect January 1, 2006, and is applicable to tax years  
5 32 beginning on or after that date.

5 33 2. The section of this Act amending section 423.3 and the  
5 34 section of this Act providing refunds resulting from the  
5 35 amendment of section 423.3, being deemed of immediate  
6 1 importance, take effect upon enactment and apply retroactively  
6 2 to January 1, 1992.

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CHRISTOPHER C. RANTS  
Speaker of the House

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JOHN P. KIBBIE  
President of the Senate

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6 14 I hereby certify that this bill originated in the House and  
6 15 is known as House File 869, Eighty-first General Assembly.

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MARGARET THOMSON  
Chief Clerk of the House

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6 21 Approved \_\_\_\_\_, 2005

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THOMAS J. VILSACK  
Governor

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